

How the American Rescue Plan Act Will Save the Multiemployer Pension System

The much discussed Butch Lewis Act has now become law as part of the American Rescue Plan Act of 2021 (ARPA). Since the multiemployer pension provisions were unchanged from the original draft, we have made very minor adjustments to last month's summary to provide an understanding of additional details and next steps for affected plans. ARPA, in the end, is a major success in that it will provide the much needed financial relief to the plans that are struggling without imposing a severe burden on the rest of the multiemployer system.

Primary provisions for multiemployer plans are as follows:

How Financially Struggling Plans and PBGC Will Be Helped

- Eligible plans will get money from PBGC (which gets it from the federal government) without requirement to repay to PBGC. Plans are required to apply to PBGC for financial assistance.
 - An eligible plan is any of a) in critical and declining status, b) previously approved for a benefit suspension under MPRA '14, c) in critical status, less than 40% funded on current liability basis (low interest rates), and has a ratio of active:inactive participants of less than 2:3, or d) insolvent.
 - Priority for approval from PBGC for financial assistance is given to plans projected insolvent within five years, are projected to need in excess of \$1B or who have already had benefits suspended under MPRA.
 - Applications for financial assistance must be received by December 31, 2025.
 - Financial assistance must be invested in investment-grade bonds or other PBGC approved investments.

MPRA Benefit Suspensions

- If a plan receives financial assistance, it must reinstate previously suspended benefits under MPRA, and make whole any retirees who had their benefits reduced under a suspension.

PBGC Premiums

- Current provisions with inflation index; then starting in 2031, the premium would be \$52/person with inflation index for following years.

Short-term Relief

- Zone status for plan years starting between 3/1/2020 and 2/28/2021 can elect to keep status from prior year.
- Funding improvement and rehabilitation plans can elect to have an additional five years added to their periods.

Timing

- PBGC must provide rules for application of financial assistance by July 9.
- PBGC must approve or deny applications within 120 days, and then has one year to make the assistance payment to the plan.

Other provisions of the bill exist and may have a relevant impact on your plan. Please contact Brad Rigby at Cowden for more information.



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